

April 24, 1991

TO: Minerals File

FROM: JoeL Burns, Minerals Secretary *JB*

RE: Status of Surety for Nephi Gypsum Quarry, Thomas J. Peck and Sons,  
M/023/011, Juab County, Utah

Today I was going over the bonding files and found that the surety for the Nephi Gypsum Quarry, operated by Thomas J. Peck and Sons expired in February, 1991. There was not a letter in the file documenting this date, so I phoned Deseret Bank in Lehi, Utah to find out the status, if this was indeed the correct date that was noted in the surety records. Deseret Bank, Lehi, Utah holds an Irrevocable Standby Letter of Credit (ISLOC) as surety for this project.

I asked for Sterling Swenson of the bank and was told that he was no longer with them. I inquired of the status of the surety and was told by Carolyn, that Mrs. Peck had, just a couple of weeks ago, called the bank and told them that the mine was no longer active and the surety was no longer needed. Carolyn did not know any more of the status than that. She gave me the number of a loan officer, who handled the Peck's file to call for further information.

I then called the number (785-6031) and talked to Sterling Orton. Mr. Orton told me that this surety had matured in February of 1991, and that just a couple of weeks ago Mrs. Peck called and told them that it did not need renewing, and they released the surety. He questioned as to whether or not they had made an error in releasing surety upon my questioning him if the State did not need to be notified before something like this was done. He said that there would be no problem in putting another letter together if need be, but that the ISLOC had matured in February and it had been released rather than renewed again. Mr. Orton informed me that the bank was formerly Deseret Bank, but now was First Security Bank. I asked Mr. Orton if the surety had to be secured with something, and he stated that some of them are secured and some are not. I asked him if this particular ISLOC had been secured. He said it had. I asked him if it had been secured with, perhaps the mine property and he told me that he could not really get into that, but said he would tell me that it had not been secured by property.

I told him I would let my supervisor know and perhaps get back with him.

jb

cc: Wayne Hedberg

NONCOAL  
(August 1986)

State of Utah  
Department of Natural Resources  
Division of Oil, Gas and Mining  
3 Triad Center, Suite 350  
355 West North Temple  
Salt Lake City, Utah 84180-1203  
(801) 538-5340

*m/023/011*  
*Replaced -*  
*this original*  
*returned 7/11/00*

COLLATERAL BONDING AND INDEMNITY AGREEMENT

THIS COLLATERAL BONDING AND INDEMNITY AGREEMENT entered into by and between Thomas J. Peck & Sons Inc. (hereinafter referred to as "Operator") and the Utah Division of Oil, Gas and Mining (hereinafter referred to as "Division"),

W I T N E S S E T H

WHEREAS, the Operator has obtained Program Permit No. M/023/011 (hereinafter referred to as "Permit") from the Division to conduct mining and reclamation activities at the Nephi Gypsum Quarry in Juab County, Utah, as a mine under the Utah Mined Land Reclamation Act, Utah Code Annotated, 40-8-1, et seq, 1953, as amended ("Act") and implementing regulations; on the disturbed areas designated in Exhibit A; and

WHEREAS, the Operator wishes to obtain a bond under 40-8-14(3); and

WHEREAS, the Operator has provided a(n) Stand-by Letter of Credit issued by Deseret Bank - Lehi Office (Exhibit B), naming the Division as Beneficiary, as collateral to secure this Collateral Bonding and Indemnity Agreement; and

COLLATERAL BONDING AND INDEMNITY AGREEMENT - NONCOAL

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the sufficiency and receipt of which is hereby acknowledged, the Operator does hereby agree to be held and firmly bonds to the Division for the sum of Fifteen Thousand (15,000. year dollars) for the timely performance of reclamation responsibilities for Permit No. M/023/011 in lawful money of the United States. By the submission of this Letter of Credit (form of collateral will and truly binds itself, its successors and assigns, jointly and severally, by the conditions of this Agreement.

The conditions of the above obligations are such that:

1. The Operator shall perform all duties and fulfill all requirements applicable to mining and reclamation as set forth in the Act, and regulations adopted pursuant to the Act and the conditions of Permit No. M/023/011 issued by the Division.
2. The liability under this Agreement is conditioned upon successful reclamation of the permit area as provided in the Mining and Reclamation Plan for Permit No. M/023/011 for a period of time and in the manner specified in the Act and regulations adopted pursuant thereto as amended from time to time, and the conditions set forth in Permit No. M/023/011 issued by the Division.



COLLATERAL BONDING AND INDEMNITY AGREEMENT - NONCOAL

3. The Operator does hereby jointly and severally agree to indemnify and hold the Division harmless from any claim, demand, liability, cost, charge or suit brought by a third party, as a result of the Operator's failure to abide by the term and conditions of the Mining and Reclamation Plan as set forth in Permit No. M/023/011 and from any failure to comply with the terms of this Agreement.
4. Upon successful completion of part or all of the obligations secured hereby, the Operator may petition the Division for a final release of part or all of the obligations under this Agreement. Upon such petition, the Division shall timely conduct an inspection to ascertain whether the duties and obligations of Thomas J. Peck & Sons Inc. under the Act, regulations adopted pursuant thereto and Permit No. M/023/011 have been fulfilled. If such duties and obligations have been fulfilled, the Division shall release the Operator from part or all of its obligations under this Agreement and shall file notice of such release of collateral held by the Division.
5. This agreement shall be reviewed periodically by the Division, or reviewed upon petition by the Operator, in accordance with the Act and implementing regulations and

COLLATERAL BONDING AND INDEMNITY AGREEMENT - NONCOAL

the amount of liability under this agreement may be adjusted upon written agreement between the Operator and the Division where it is clearly established that the cost of future reclamation has materially changed.

6. This Agreement may be terminated upon ninety (90) days prior written notice to the Division if terminated by the Operator or upon ninety (90) days written notice to the Operator if terminated by the Division. Upon such written notification, the Operator will have ninety (90) days to obtain an alternate form of bond to secure reclamation obligations for Permit No. M/023/011 in the same amount as stated in this Agreement or amendments thereto.
7. Failure to provide a satisfactory alternative form of bond will result in the complete cessation of all mining operations and the complete reclamation of all disturbed areas within the Nephi Gypsum Mine permit area.
8. Any breach of the provisions of paragraph #8 of this Agreement will result in the payment of \$ 15,000.  
(bond amount) liquidated damages to the Division.
9. This Agreement will be governed and interpreted according to Utah law.

SO AGREED this 24th day of February, 1988.

COLLATERAL BONDING AND INDEMNITY AGREEMENT - NONCOAL

Tom Peck

By V. Puer  
Corporate Officer - Position

STATE OF UTAH, DEPARTMENT OF  
NATURAL RESOURCES, BOARD OF  
OIL, GAS AND MINING

By Gregory P. Williams  
Gregory P. Williams, Esq.  
Chairman, Board of  
Oil, Gas and Mining

APPROVED AS TO FORM:

Robert L. Bachman  
Assistant Attorney General

STATE OF Utah )  
COUNTY OF Utah ) ss:

On the 24th day of February, 1988, personally appeared  
before me Tom Peck and \_\_\_\_\_ who  
being by me duly sworn did say that he/she, the said Tom Peck  
\_\_\_\_\_ is the Vice President of Thomas  
J. Peck & Sons Inc. and said instrument was signed in behalf  
of said corporation by authority of its bylaws or a resolution of  
its board of directors and said Tom Peck  
and \_\_\_\_\_ duly acknowledged to me that said  
corporation executed the same.

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COLLATERAL BONDING AND INDEMNITY AGREEMENT - NONCOAL

Stephen P. Swenson  
Notary Public  
Residing at: Lehi, Utah

My Commission Expires: 8-15-91

STATE OF Utah )  
COUNTY OF Salt Lake ) ss:

On the 4th day of May, 1988, personally appeared before me Gregory P. Williams, Esq. who being by me duly sworn did say for himself, that he, the said Gregory P. Williams, Esq. is the Chairman of the Board of Oil, Gas and Mining, Department of Natural Resources, state of Utah, and she duly acknowledged to me that said Division executed the foregoing document by authority of law on behalf of the state of Utah.

Marion L. Anderson  
Notary Public  
Residing at: SLC, Utah

My Commission Expires:

July 24, 1989

0547R-7-12

Exhibit A  
Nephi Gypsum Quarry

Legal Description:

Portions of the SE of the NE Quarter and the NE of the SE Quarter of  
Section 3, Township 13 South, Range 1 East, SLBM

Note: See Attachment F of the Notice of Intention to Commence  
Mining and Reclamation Plan, M/023/011, dated January 14,  
1988 for a more detailed description of the areas to be  
reclaimed.



# Deseret Bank



LEHI OFFICE

99 WEST MAIN

LEHI, UTAH 84043 PHONE 768-8444

February 11, 1988

RECEIVED  
FEB 16 1988

DIVISION OF  
OIL, GAS & MINING

State of Utah  
Department of Natural Resources  
Division of Oil, Gas and Mining  
3 Triad Center, Suite 350  
355 West North Temple  
Salt Lake City, UT 84180-1203

Gentlemen:

SUBJECT: Stand-by Letter of Credit No.         
Expiration Date: February 11, 1989

*replied -  
this loc returned  
7-11-02*

We hereby open our stand-by irrevocable credit in favor of the State of Utah, Department of Natural Resources, Division of Oil, Gas and Mining for the account of Thomas J. Peck and Sons Inc. for the sum or sums not exceeding a total of \$15,000.00 available by your draft on us at sight pursuant to a determination under Section 40-8-14(6) U.C.A. that the operation has failed to carry out land reclamation responsibilities.

All demand drafts should bear the following clauses: "Drawn under the Deseret Bank, Lehi Office, Stand-by Letter of Credit Number       , dated February 11, 1988."

Sincerely,

Stephen S. Swenson  
Vice President/Manager

# Deseret Bank



LEHI OFFICE

99 WEST MAIN  
LEHI, UTAH 84043 PHONE 768-8444

February 11, 1988

**RECEIVED**  
FEB 16 1988

**DIVISION OF  
OIL, GAS & MINING**

Mr. Lowell Braxton  
State of Utah  
Department of Natural Resources  
Division of Oil, Gas and Mining  
3 Triad Center, Suite 350  
355 West North Temple  
Salt Lake City, UY 84180-1203

Dear Mr. Braxton:

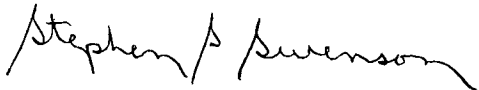
Pursuant to a recent telephone conversation I am submitting to you our irrevocable letter of credit in favor of you and for the account of Thomas J. Peck and Sons Inc.

Please note that the maturity of our letter of credit is for one year. Please be advised, however, that we are willing to extend the line for a consecutive five year period.

It is the intent of Thomas Peck and Sons to either assign a \$15,000.00 Time CD to complete the Five year commitment or collateralize the note securing the line with real property. Either method will be acceptable to the bank and hopefully satisfactory to your department.

If you have any further questions in this regard, please call me.

Sincerely,



Stephen S. Swenson  
Vice President/Manager

# Deseret Bank



LEHI OFFICE

99 WEST MAIN

LEHI, UTAH 84043 PHONE 768-8444

November 4, 1988

*Replaced -  
Returned to operator  
7-11-00*

State of Utah  
Department of Natural Resources  
Division of Oil, Gas and Mining  
3 Triad Center, Suite 350  
355 West North Temple  
Salt Lake City, UT 84180-1203

Gentlemen:

SUBJECT: Stand-by Letter of Credit No.             
Expiration Date: February 11, 1990

We hereby open our stand-by irrevocable credit in favor of the State of Utah, Department of Natural Resources, Division of Oil, Gas and Mining for the account of Thomas J. Peck and Sons Inc. for the sum or sums not exceeding a total of \$15,300.00 available by your draft on us at sight pursuant to a determination under Section 4-8-14(6) U.C.A. that the operation has failed to carry out land reclamation responsibilities.

All demand drafts should bear the following clauses: "Drawn under the Deseret Bank, Lehi Office, Stand-by Letter of Credit Number            dated November 4, 1988."

Sincerely,

Stephen S. Swenson  
Vice President/Manager

# Deseret Bank



LEHI OFFICE

99 WEST MAIN  
LEHI, UTAH 84043 PHONE 768-8444

November 10, 1988

RECEIVED  
NOV 14 1988

DEPARTMENT OF  
NATURAL RESOURCES & MINING

*Refused  
This original returned  
7-11-00*

Mr. Lowell Braxton  
State of Utah  
Department of Natural Resources  
Division of Oil, Gas and Mining  
3 Triad Center, Suite 350  
355 West North Temple  
Salt Lake City, UT 84180-1203

Dear Mr. Braxton:

Pursuant to a recent telephone conversation with Mr. Scott Johnson, I am submitting to you our renewal of the letter of credit in favor of you and for the account of Thomas J. Peck and Sons Inc. on the Nephi Gypsum Quarry, M/023/011, Juab County, Utah.

We have increased the amount as per your letter of February 23, 1988. Please contact me if you should have any questions.

Sincerely

*Stephen S. Swenson*

Stephen S. Swenson  
Vice President/Manager

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# Deseret Bank



LEHI OFFICE

99 WEST MAIN  
LEHI, UTAH 84043 PHONE 768-8444

DOGM  
MINERALS PROGRAM  
FILE COPY

November 7, 1989

**RECEIVED**  
NOV 13 1989

DIVISION OF  
OIL, GAS & MINING

State of Utah  
Department of Natural Resources  
Division of Oil, Gas and Mining  
3 Triad Center, Suite 350  
355 West North Temple  
Salt Lake City, UT 84180-1203

*Refused -  
Returned  
7-11-90*

Gentlemen:

SUBJECT: Stand-by Letter of Credit No.         
Expiration Date: February 11, 1991

We hereby open our stand-by irrevocable credit in favor of the State of Utah, Department of Natural Resources, Division of Oil, Gas and Mining for the account of Thomas J. Peck and Sons Inc. for the sum or sums not exceeding a total of \$15,600.00 available by your draft on us at sight pursuant to a determination under Section 4-8-14(6) U.C.A. that the operation has failed to carry out land reclamation responsibilities.

All demand drafts should bear the following clauses: "Drawn under the Deseret Bank, Lehi Office, Stand-by Letter of Credit Number        dated November 7, 1989.

Sincerely,

Stephen S. Swenson  
Vice President/Manager